

FINANCIAL STATEMENT

2014-2015

RELIANCE MEDIAWORKS (USA) INC.

INDEPENDENT AUDITOR'S REPORT

**To,
The Management of
Reliance MediaWorks Limited
Mumbai, India**

We have audited the accompanying consolidated financial statements of Reliance Media Works (USA) Inc. ('the Company') and its subsidiaries, which comprise the consolidated Balance Sheet as at March 31, 2015, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Consolidated financial statements based on our audit. We have taken into account the provisions of the Companies Act 2013 to the extent applicable, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Companies Act, 2013 and the Rules made there under. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Companies Act, 2013. . Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. In doing so we have also placed reliance upon the financial statements audited by PHYPHAR INC and management certified notes and policies.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Chokshi and Co. LLP

Chartered Accountants

Regd. Add. 101-102, Kshamalaya,
37, Sir V. Thackersey Marg,
Mumbai – 400020; India
Email: chokshiandco@gmail.com

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India

- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2015;
- (b) in the case of the consolidated Statement of Profit and Loss, of the loss for the year ended on that date; and
- (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

Without qualifying our opinion, we draw attention to:-

Note no. (8) of the Notes to Accounts to the financial statements which respectively indicate that, the financial statements have been prepared on a going concern basis based on the assumption that the facilities shall not be recalled by providers of finance and that funds shall be made available by the holding Company who has undertaken to provide financial and other support to the Company for the foreseeable future to enable it to continue its operations as the Company's shareholder's worth has been fully eroded as at 31st March 2015. The validity of which depends upon continued availability of debt facilities and funds being made available by the holding Company.

For Chokshi & Co. LLP
Chartered Accountants
Registration number: 131228W/W100044

Kalpen Chokshi
Partner
Membership No.: 135047

Place: Mumbai
Date: 20th August 2015

Reliance MediaWorks USA Inc. Group

Balance sheet

as at March 31, 2015

	Note	March 31, 2015 (in Indian rupees)	March 31, 2014 (in Indian rupees)
EQUITIES AND LIABILITIES			
Shareholders' funds			
(a) Share capital	1	1,252,088	1,197,260
(b) Reserves and surplus	2	(3,660,457,670)	(4,050,317,707)
		(3,659,205,582)	(4,049,120,447)
Minority Interest			
		-	1,337,459
Non-current liabilities			
(a) Long term borrowing	3	-	10,245,792
(b) Other long-term liabilities		-	-
		-	10,245,792
Current liabilities			
(a) Short term borrowings	4	4,199,075,878	4,865,051,702
(b) Trade payable		252,209,839	588,536,380
(c) Other current liabilities	5	17,763,936	20,865,608
(d) Short term provisions	6	-	13,299,344
		4,469,049,653	5,487,753,034
		809,844,071	1,450,215,838
ASSETS			
Non-current assets			
(a) Fixed assets			
(i) Tangible assets	7	-	147,059,568
(ii) Intangible assets		-	146,240,700
(iii) Capital work in progress		-	-
(iv) Intangible assets under development		-	-
(b) Goodwill on consolidation		-	-
(c) Investments		-	897,945,000
(c) Long-term loans and advances	8	14,611,429	26,102,663
		14,611,429	1,217,347,931
Current assets			
(a) Inventories	9	-	7,837,024
(b) Trade Receivables	10	-	183,233,639
(c) Cash and cash equivalents	11	66,486	32,363,494
(d) Short-term loans and advances	12	795,166,156	9,433,750
(e) Other current assets		-	-
		795,232,642	232,867,907
		809,844,071	1,450,215,838

See accompanying Significant Accounting Policies and Notes to Accounts.

17

As per our report of even date

For Chokshi & Co LLP
Chartered Accountants
Firms' Registration No: 131228W/W100044

For Reliance MediaWorks Limited

Kalpen Chokshi
Partner
Membership No: 135047

Sandip Dhotre
Authorised Signatory

Date : August 20, 2015
Place : Mumbai

Date : August 20, 2015
Place : Mumbai

Reliance MediaWorks USA Inc. Group

Statement of Profit and loss for the year ended March 31, 2015

	Note	For the year ended March 31, 2015 (in Indian rupees)	For the eighteen month period ended March 31, 2014 (in Indian rupees)
I. Revenue from operations	13	331,277,823	1,921,813,554
II. Other income - Interest income from others	14	915,530,370	315,074
II. Total Revenue		1,246,808,193	1,922,128,628
III. Expenses			
Royalty expenses		-	-
Print and publicity expenses		5,498,956	15,117
Film rentals		18,318,183	402,901,859
Cost of food and beverage items sold		6,890,302	55,020,613
Electricity, power and water expenses		14,945,172	92,668,891
Employee benefit expense	15	255,496,722	869,730,694
Interest expenses from Others		13,507,260	12,539,815
Depreciation / amortisation / impairment expense	7	129,526,514	873,028,409
Other expenses	16	242,798,922	871,114,033
Total expenses		686,982,031	3,177,019,431
IV. Profit/(Loss) before exceptional and extra ordinary item and tax (II- III)		559,826,162	(1,254,890,803)
V. Exceptional items		-	-
VI. Profit/(Loss) before extra ordinary item and tax (IV- V)		559,826,162	(1,254,890,803)
VII. Extraordinary items		-	-
VIII. Profit/(Loss) before tax (VI-VII)		559,826,162	(1,254,890,803)
IX. Tax Expenses			
(1) Current tax		-	-
(2) Deferred tax (credit)/ charge		-	-
X. Profit/(Loss) before tax (VIII-IX)		559,826,162	(1,254,890,803)
XI. Minority interest		(1,779,942)	(761,245)
XII. Profit/(Loss) for the year		561,606,104	(1,254,129,558)
Basic earnings per share Rs.		2,808,031	(6,270,648)
Diluted earnings per share Rs.		2,808,031	(6,270,648)

See accompanying Significant Accounting Policies and Notes to Accounts.

17

As per our report of even date

For Chokshi & Co LLP
Chartered Accountants
Firms' Registration No: 131228W/W100044

For Reliance MediaWorks Limited

Kalpen Chokshi
Partner
Membership No: 135047

Sandip Dhotre
Authorised Signatory

Date : August 20, 2015
Place : Mumbai

Date : August 20, 2015
Place : Mumbai

Reliance MediaWorks USA Inc. Group

Cash flow statement for the year ended March 31, 2015

	For the year ended March 31, 2015 (Indian Rupees)	For the eighteen month period March 31, 2014 (Indian Rupees)
Cash Flow from operating activities		
Profit/(Loss) before taxes	559,826,162	(1,254,890,803)
<u>Adjustment for</u>		
Depreciation / impairment	129,526,514	873,028,409
Bad debts written off	-	-
Interest expenses	13,507,260	12,539,815
Interest Income	-	(315,074)
Profit on sale of fixed assets	(20,777,237)	-
Profit on sale of investments	(815,690,320)	-
Provisions written back	(79,062,813)	-
Operating profit before working capital changes	(212,670,434)	(369,637,653)
<u>Adjustment for</u>		
Decrease/(Increase) in Trade receivables	183,233,639	(97,847,643)
Decrease/(Increase) in Other receivables	(774,241,172)	(83,489,231)
Decrease/(Increase) in Inventories	7,837,024	2,392,289
(Decrease)/Increase in Trade and other payables	(273,664,744)	13,638,284
Foreign Exchange Gain /(Loss)	(181,954,651)	(462,731,083)
Cash outflow in operating activities	(1,251,460,338)	(997,675,037)
Cash flow from Investing activities		
Purchase of property, plant and equipment	(16,167,085)	(98,365,176)
Proceeds from sale of property, plant and equipment	210,981,488	38,624,145
Acquisition of subsidiaries	-	(125,712,300)
Interest income	-	315,074
Sale of Investment	1,713,635,320	-
Cash (outflow) / inflow in financing activities	1,908,449,723	(185,138,257)
Cash flow from Financing activities		
Loan for equipment financing / others	63,833,679	94,837,647
Loan from related parties	(740,055,295)	1,037,833,487
Interest paid	(13,507,260)	(12,539,815)
(Decrease)/Increase in Minority Interest	442,483	(9,631,957)
Cash generated from Financing activities	(689,286,393)	1,110,499,362
Net increase in cash and cash equivalents	(32,297,008)	(72,313,932)
Cash and cash equivalents at the beginning of the period	32,363,494	104,677,426
Cash and cash equivalents at the end of the period	66,486	32,363,494

As per our report of even date attached

For Chokshi & Co LLP
Chartered Accountants
Firms' Registration No: 131228W/W100044

Kalpen Chokshi
Partner
Membership No: 135047

Sandip Dhotre
Authorised Signatory

Date : August 20, 2015
Place : Mumbai

Date : August 20, 2015
Place : Mumbai

Reliance MediaWorks USA Inc. Group

Notes to the financial statements (Continued)

as at March 31, 2015

	March 31, 2015 (in Indian rupees)	March 31, 2014 (in Indian rupees)
1 Share capital		
Authorised		
200 equity shares of \$ 100 each	1,252,088	1,197,260
Issued, subscribed and paid-up capital		
Shares issued as on 1 April	1,252,088	1,197,260
Share issued during the year	-	-
Buyback/ forfeiture/ reduction shares	-	-
Shares issued as on 31 March	1,252,088	1,197,260
	1,252,088	1,197,260
Holding Company / Ultimate holding Company	1,252,088	1,197,260
Details of shareholders who held more than 5% of share capital as on 31 March 2012 and 31 March 2011.		
Reliance MediaWorks Limited	1,252,088	1,197,260
	1,252,088	1,197,260
2 Reserves and surplus		
Foreign currency translation Reserve	(729,788,646)	(558,042,579)
Capital reserve on acquisition	24,065,918	24,065,918
Profit & Loss Account		
Opening balance	(3,516,341,046)	(2,262,211,488)
Add / (less): Profit / (loss) for the year	561,606,104	(1,254,129,558)
	(2,954,734,942)	(3,516,341,046)
	(3,660,457,670)	(4,050,317,707)
3 Long term borrowing		
(a) Secured term loans		
Loan from Banks		
- Term loans	-	-
From others		
- Equipment financing	-	10,245,792
	-	10,245,792
4 Short term borrowing		
(i) Loans and advance from related parties	3,938,199,962	4,678,255,257
Other loans		
- Banks	117,633,793	108,974,545.00
- Others	143,242,123	77,821,900.00
	4,199,075,878	4,865,051,702

Reliance MediaWorks (USA) Inc.

Schedules to the financial statements (Continued)

as at March 31, 2015

Schedule 7 : Fixed Assets

Particulars	Gross Block				Depreciation / amortisation				Net Block		Amount in INR	
	Opening	Additions	Deletions	Exchange rate adjustment	Closing	Opening	Charge for the year	Deletions	Exchange rate adjustment	Closing		Closing
Intangible Assets												
Goodwill	441,062,802	-	461,261,081	20,198,279	-	441,062,802	-	461,261,081	20,198,279	-	-	-
Distribution rights	38,690,056	-	40,461,850	1,771,794	-	38,690,056	-	40,461,850	1,771,794	-	-	-
Internally generated computer software	566,932,841	-	592,895,283	25,962,442	-	420,907,888	53,126,373	494,609,005	20,574,744	-	-	146,024,953
Computer software - others	32,783,374	-	34,284,674	1,501,300	-	32,567,627	-	34,059,047	1,491,420	-	-	215,747
Tangible assets												
Lease hold-Building	535,147,085	-	559,653,912	24,506,827	-	535,147,085	-	559,653,912	24,506,827	-	-	-
Plant and machinery	536,795,533	14,699,951	576,077,801	24,582,317	-	423,327,669	70,816,731	515,262,634	21,118,234	-	-	113,467,864
Vehicles	698,062	-	730,030	31,968	-	418,802	53,471	492,759	20,486	-	-	279,260
Furniture and fixtures	185,940,106	1,467,134	195,922,285	8,515,045	-	152,627,662	5,529,939	165,282,377	7,124,776	-	-	33,312,444
Total	2,338,049,859	16,167,085	2,461,286,916	107,069,972	-	2,044,749,591	129,526,514	2,271,082,665	96,806,560	-	-	293,300,268

Reliance MediaWorks USA Inc. Group

Notes to the financial statements (Continued)

as at March 31, 2015

	March 31, 2015 (in Indian rupees)	March 31, 2014 (in Indian rupees)
5 Other current liabilities		
(a) Current maturities of long term loans	-	-
(b) Other current liabilities	14,242,438	14,249,489
(c) Advance payments received	3,521,498	6,616,119
	17,763,936	20,865,608
6 Short-term provision		
Leave encashment	-	13,299,344
	-	13,299,344
8 Long-term loans and advances		
(a) Security Deposits	14,611,429	26,102,663
	14,611,429	26,102,663
9 Inventories		
Stores and spares	-	3,586,931
Food and beverages	-	4,250,093
	-	7,837,024
10 Trade Receivable		
Unsecured, considered good; Debts outstanding for a period exceeding six months	-	4,656,623
Unsecured, considered doubtful; Other debts	-	183,233,639
Provision for doubtful debts	-	(4,656,623)
	-	183,233,639
11 Cash and bank equivalents		
Cash on hand	-	967,925
Balance with non scheduled banks - current accounts	66,486	31,395,569
	66,486	32,363,494
12 Short-term loans and advances - Unsecured and considered good		
Other advances	795,166,156	9,433,750
	795,166,156	9,433,750

Reliance MediaWorks (USA) Inc. Group

Schedule 17 to the financial statements as at March 31, 2015

I. Background

Reliance MediaWorks (USA) Inc. Group (the 'Group') primarily operates in the United States of America through its holding Reliance MediaWorks (USA) Inc. Reliance MediaWorks (USA) Inc. (the 'Company') was incorporated under the laws of the state of New Jersey on May 17, 2006, and commenced operations on the same day. The Group was engaged primarily in the business of the movie exhibition, exploitation of movie rights purchased by the Group or syndicated through Reliance MediaWorks Limited (the 'Parent' Company) and film production services business. Currently, the Company has transferred its film and media services business subsidiaries and has significantly scaled down its operations in the exhibition business either through surrender of leases or transfer of leases to affect the sale of cinemas.

The Group operated in the exhibition business primarily through its subsidiaries BIG Cinemas Laurel LLC (ceased operations), BIG Cinemas Falls Church LLC (lease has been transferred), BIG Cinemas Sahil LLC (lease has been transferred), BIG Cinemas Entertainment (DE) LLC (lease has been surrendered), BIG Cinemas SAR LLC (lease has been surrendered), BIG Cinemas Entertainment LLC (lease has been surrendered), BIG Cinemas IMC LLC (lease has been surrendered), Adlabs Heritage LLC (since dissolved), BIG Cinemas Norwalk LLC (lease has been surrendered), BIG Cinemas Galaxy LLC (lease has been surrendered), Phoenix BIG Cinemas Management LLC (the entity has been sold), BIG Cinemas Union LLC (since dissolved), BIG Cinemas Exhibitions LLC (lease has been transferred or surrendered), BIG Cinemas Phoenix LLC (the entity has been sold), Big Pictures USA Inc, Reliance Media & Marketing Communication LLC (since dissolved).

The Company operated in the film and media services business through Reliance Lowry Digital Imaging Services Inc. (the entity has been sold) and Reliance Media Works VFX Inc. (entity has no operations).

Name of the Company	State of Incorporation	Ownership Interest	
		Mar-15	Mar-14
BIG Cinemas Laurel LLC	Virginia	100%	100%
BIG Cinemas Falls Church LLC	Virginia	100%	100%
BIG Cinemas Sahil LLC	Illinois	97%	97%
BIG Cinemas Entertainment (DE) LLC	New York	100%	100%
BIG Cinemas SAR LLC	Michigan	51%	51%
BIG Cinemas Entertainment LLC	New Jersey	100%	100%
BIG Cinemas IMC LLC	California	100%	100%
BIG Cinemas Norwalk LLC	California	100%	100%
BIG Cinemas Galaxy LLC	Georgia	100%	51%
Phoenix BIG Cinemas Management LLC (Note 1)	Tennessee	0%	51%
BIG Cinemas Exhibitions LLC (Note 2)	New Jersey	100%	100%
BIG Cinemas Phoenix LLC (Note 1)	Tennessee	51%	51%
Big Pictures USA Inc *	New Jersey	100%	100%
Reliance Media and Marketing Communication LLC (Note 2)	New Jersey	100%	NA